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S E C R E T SECTION 01 OF 02 KATHMANDU 001443

SIPDIS

DEPT FOR SA/INS

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TAGS: [PREL](#) [PGOV](#) [PINR](#) [BT](#) [NP](#) [GON](#)

SUBJECT: NEPAL: ADHIKARI PLANS NEGOTIATIONS BEFORE ALL ELSE

REF: A. KATHMANDU 1418

[1](#)B. KATHMANDU 1387

[1](#)C. STATE 153894

Classified By: Ambassador James F. Moriarty; Reasons 1.4 (a, b, d).

[1](#)1. (S) SUMMARY: Deputy Prime Minister and Finance Minister Adhikari told the Ambassador on July 26 that negotiations with the Maoists must be the government's priority. Believing the Maoists ready to meet, Adhikari defended his budget by stating that a strong military and administration were required to keep the pressure on the Maoists. Meanwhile, only seed money had been set aside for a peace secretariat; donors would have to do the rest. On Iraq,

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Adhikari three times dodged the question of sending troops to protect the UN, probably in deference to the unknown views of his party's General Secretary, Madhav Kumar Nepal. END SUMMARY.

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GIVE PEACE A CHANCE
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[1](#)2. (C) Nepal's Deputy Prime Minister/Finance Minister (and senior Communist Party of Nepal-United Marxist Leninist coalition member) Bharat Mohan Adhikari began the meeting on July 26 by profusely thanking the Ambassador for publicly supporting the formation of a coalition government and for urging the parties outside of government to play a constructive and supporting role. A coalition was the only way for democracy to survive in Nepal, Adhikari stated. Meanwhile, as long as fighting in Nepal continued, everyone would lose. That was why, Adhikari stated, the topmost priority for the government was to develop a comprehensive program for peace. That program would include negotiations, while at the same time strengthening the security forces and providing strong administration to maintain pressure on the Maoists.

[1](#)3. (C) The Maoists were looking for a way out of the conflict, Adhikari believed. Additionally, while the army was unable to defeat the Maoists militarily, U.S. and UK security assistance for the army had scared the Maoists. The Maoist leadership now knew they could not take over Nepal. That was why the cabinet was open to dialogue with the Maoists, and was willing to consider help in negotiations from third-parties, such as the Carter Center. The Maoists were also open to third-party involvement, Adhikari stated. (NOTE: Thus far, the GON has been clear that it will not accept third-party mediation, although it might accept third-party facilitation or witnessing during talks. Meanwhile, Padma Ratna Tuladhar, a frequent go-between for the Maoists and government, recently traveled to the U.S. to meet with the Carter Center. END NOTE.) Adhikari did not have much information to add when asked about local-level UML cadres' views on Maoist intentions. In many rural places, Maoists and UML cadres comprise the only active political forces, Adhikari stated, although in many places, local-level UML cadres had been killed by the Maoists.

[1](#)4. (C) Adhikari agreed that the arrests of Maoists in India, especially the "commanders" arrested in Patna, had been a serious blow to the Maoists. Continued Indian pressure on the Maoists, to push its leadership towards dialogue, was critical. U.S. pressure on the Indians to do more was needed, Adhikari emphasized.

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PEACE SECRETARIAT
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[1](#)5. (C) Turning to the plans to create a "Peace Secretariat," Adhikari stated that the budget had contained only seed money to start building the institution, and that Nepal would need donor help to realize the body. The seed money was also a message to the Nepali people regarding the government's peaceful intentions. In any case, Adhikari intended to meet with Prime Minister Deuba and the other coalition leaders soon to discuss the terms of reference for the Secretariat, but he hoped the body would maintain constant contact with donors and civil society to help create social movements for peace. The Ambassador urged that the Secretariat be kept as

apolitical as possible to best serve the interests of the GON, and that it should also examine technical questions for the Government, such as demobilization.

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ECONOMY IN SHAMBLES - EVERYONE HAS GRIEVANCES

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16. (C) Adhikari complained that he was being faced with so many economic grievances from individuals that he was having difficulty focusing on Nepal's big economic issues. The insurgency had damaged tourism, the social and economic infrastructure of the country, even agricultural production. Unless the insurgency were checked, the existence of Nepal as a state was in jeopardy, Adhikari believed. Privatization, a frequent UML party focus, was gathering Adhikari's attention. While not wanting to keep any industry that was a burden to the public sector, Adhikari lamented that when businesses in Nepal were privatized, they were frequently closed, benefitting no one. Adhikari wanted to strengthen the private sector and find a middle path on privatization. The Ambassador pointed out that private companies buy businesses to make money, and that rarely involves simply closing them. (NOTE: Adhikari appeared to primarily be expressing concern with privatization because of worries about job losses that could ensue, especially in a job-poor Nepal. END NOTE.)

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IRAQ DODGE

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17. (S) Adhikari dodged several attempts by the Ambassador to get a response on sending Nepali troops to guard the UN in Iraq. The question would have to be raised in a cabinet meeting by the Prime Minister or Foreign Minister before discussion could take place, Adhikari maintained.

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COMMENT

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18. (C) The differences between the focus of Deputy Prime Minister and Prime Minister are striking, though not unexpected. While the Prime Minister prioritized elections in his recent meeting with the Ambassador, Adhikari focused instead on negotiations. CPN-UML is the last party to have open activists at the local level in most places. The longer the wait for peace, the less power the central party will have over their threatened colleagues outside the capital. Many of the Maoists are former UML cadres, and the two parties were born of the same roots in Nepal, though the UML has transformed into essentially a social democratic party. Still, the UML appears to believe that their historical fraternity with the Maoists will give their peace overtures more hope of success. It remains to be seen, however, whether the Maoists have yet been bloodied enough to abandon their dream of a one-party state.

19. (S) Adhikari's lack of willingness to engage on the question of Nepali troops for Iraq does not bode well. However, his body language seemed to indicate that something else might have been at issue. Adhikari may simply need to first consult with his party's General Secretary, Madhav Kumar Nepal, who is scheduled to return to Nepal on 31 July, before he knows his party's position on the issue.

MORIARTY